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**FISCAL IMPACT STATEMENT**

**LS 6747**

**BILL NUMBER:** SB 308

**NOTE PREPARED:** Feb 16, 2006

**BILL AMENDED:** Jan 26, 2006

**SUBJECT:** Medicaid Income Spend Down.

**FIRST AUTHOR:** Sen. Simpson

**FIRST SPONSOR:** Rep. T Brown

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill allows the Office of Medicaid Policy and Planning to apply for federal approval to amend the State Medicaid Plan to include a pay-in option under which a Medicaid recipient may satisfy the state's income spend-down requirements by paying to the state the spend-down amount each month.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (Revised) This bill would allow the Office of Medicaid Policy and Planning (OMPP) to submit a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS) and amend the existing state spend-down rule in order to add a pay-in option to Medicaid. These activities could be implemented within the existing level of resources available to the Office.

This bill would not affect the amount of spend-down Medicaid recipients pay. If OMPP implements the pay-in option, it would require additional administrative expenditures. The inclusion of a pay-in option as an additional method to meet the spend-down obligation would require some modifications to the Medicaid claims processing system (AIM), revisions to the Indiana Client Eligibility System (ICES), and the addition of a system to collect the spend-down pay-in amounts. The cost of modifications to the AIM system and ICES are not known at this time. The pay-in is assumed to operate similarly to the premium collection process for the Children's Health Insurance Program (CHIP) and MED Works. Contractors collect the premiums in those programs. The cost per member per month of the CHIP contract is not known at this time. *[This information will be updated when information is made available.]*

There was an average of 35,986 members per month that had spend-down obligations during FY 2005. The number of individuals that would use a pay-in option is unknown.

*Background:* Spend-down is a provision that allows a person whose income exceeds the Medicaid financial eligibility standard to receive some Medicaid assistance. The degree to which income exceeds the eligibility standard is the amount of the spend-down required before the applicant becomes eligible for Medicaid each month. The current standard is \$619 per month for a single applicant and \$920 per month for a couple. Spending must be for medical expenses that are not subject to or paid by insurance, although payments made by state or local programs will count towards an applicant's monthly spend-down obligation. Once the spend-down obligation is met for the month, Medicaid pays for any other covered services incurred in that month.

Documentation of spend-down obligations has been done on a manual basis by the recipients with the local Offices of Family Resources. Beginning in January 2006, OMPP implemented a new system that treats the spend-down obligation in a manner similar to an insurance deductible. Medical providers file their claims with Medicare or other insurers first. A Medicaid claim is filed once Medicare or other insurers have processed the claim. Medicaid deducts the spend-down amount from the claim and notifies the provider that they may bill the patient for the amount that Medicaid does not pay. In certain other circumstances, the recipient must still provide bills or receipts to their local Office of Family Resources.

Medicaid is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

**Explanation of State Revenues:** Under the pay-in option, the state would receive direct payments from recipients to meet their monthly, or possibly, some portion of the monthly spend-down obligation. These funds would be used to pay for Medicaid covered and non-covered services. Federal financial participation (FFP) would not be available for these expenditures; it is available only for state expenditures in excess of the individual's pay-in amount.

See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Office of Medicaid Policy and Planning, Family and Social Services Administration.

**Local Agencies Affected:**

**Information Sources:** Office of Medicaid Policy and Planning, Family and Social Services Administration, and the FSSA website at:

<http://www.in.gov/fssa/servicedisabl/medicaid/sdenginfpkt2006.pdf>;

and the Health Assistance Partnership website at:

[http://www.healthassistancepartnership.org/assets/pdfs/Pay-in\\_Option3611.pdf](http://www.healthassistancepartnership.org/assets/pdfs/Pay-in_Option3611.pdf)

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